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DELAWARE

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May 5, 2009

Via Overnight Mail

Karen J. Nickerson, Secretary  
Delaware Public Service Commission  
861 Silver Lake Boulevard  
Cannon Bldg., Suite 100  
Dover, DE 19904

**RE: IN THE MATTER OF THE INVESTIGATION INTO THE ADOPTION  
OF PROPOSED RULES AND REGULATIONS TO ACCOMPLISH  
INTEGRATED RESOURCE PLANNING FOR THE PROVISION OF  
STANDARD OFFER SERVICE BY DELMARVA POWER & LIGHT  
COMPANY UNDER 26 DEL. C. § 1007(c) & (d)  
PSC Regulation Docket No. 60**

Dear Secretary Nickerson:

Enclosed for filing please find an original and ten (10) copies of the Comments of Clean Air Council to the Staff March 3, 2009 Draft Regulation, and the Jeremy Firestone-Clean Air Council Joint Redline to that Draft in the above-referenced matter.

Service will be provided to parties on the service list by electronic mail.

Should anything further be required please do not hesitate to contact me. Thank you for your assistance in this regard.

Sincerely,

Michael D. Fiorentino, Esq.

Enclosure

cc: Service List

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE INVESTIGATION	)	
INTO THE ADOPTION OF PROPOSED RULES	)	
AND REGULATIONS TO ACCOMPLISH	)	PSC REGULATION
INTEGRATED RESOURCE PLANNING FOR	)	DOCKET NO. 60
THE PROVISION OF STANDARD OFFER	)	
SERVICE BY DELMARVA POWER & LIGHT	)	
COMPANY UNDER 26 DEL. C. § 1007(c) & (d)	)	
(OPENED AUGUST 21, 2007)	)	

**Clean Air Council Comments to Commission Staff's March 3, 2009 Draft  
Integrated Resource Plan Regulations**

Pursuant to the procedural schedule established by the Hearing Examiner, Clean Air Council now offers the following comments regarding the Staff's March 3, 2009 draft in this docket.

Background:

Following discovery, an evidentiary hearing in March 2008, and subsequent briefing, a Hearing Examiner's Recommended Decision was issued on October 24, 2008. Clean Air Council submitted Exceptions to the Decision on November 20, 2009. On December 2, 2008, the Commission held a public hearing that featured oral argument regarding the Recommended Decision and Exceptions by the Council and other parties.

On January 6, 2009, in Order No. 7518, the Commissioners addressed some of the concerns raised by the Council and others in the Exceptions and directed Commission Staff to begin revising the proposed Regulation consistent with its Order. The Commission also directed Staff to circulate its revision draft to the parties in this matter.

March 3, 2009 Draft:

Commission Staff issued a revised draft on March 3, 2009 which took up a number of issues which were not resolved in the previous proposal to the satisfaction of the parties nor the Commissioners. The revision did make some improvements consistent with the direction received. The Council believes, however, that a number of shortcomings remain. Consequently, the Council has contributed to a joint redlined version of the draft regulations with Dr. Jeremy Firestone, a *pro se* party in this matter.

### Explanation/Description of the Redlined Changes:

1. Changes to 1.7. The staff's revision of 1.7 provided a change in terminology from "acknowledgement" to "recognition," and also introduced the concept of "ratification." The Council takes no position on the change in terminology, but believes that the "ratification" concept is unnecessary. The Redline changes made to the draft revision at this section were necessary to clarify that "recognition" will function in the way that "acknowledgement" should have functioned. That is, "recognition" must clearly serve as the indicator of administrative completeness for an IRP submittal, but nothing more. Additional language is provided in the Redline to clarify that substantive and format changes may be necessary in response to comments, suggestions or orders subsequent to a Commission Recognition. Lastly, the Redline notes that changes to an IRP must be presented as a Revision rather than a supplement, as the latter tends to create confusion and an unwieldy set of documents from which it may not be simple to determine whether specific sections remain valid.
2. Definitions 2.0 "Commission Recognition." As stated above, the Council accepts this terminology so long as the limitation of its function is very clear—i.e. it confers no judgment of "reasonableness" to the submittal, but only to the basic fulfillments of the procedural aspects of the submittal. In order to keep the process moving forward, the Center contends it is appropriate to include a timeframe for recognition (45 days). Since a finding of completeness is an important determination, it also seems appropriate to allow requests for the Commission to review the staff decision if either the company or other aggrieved parties believe it was incorrect.
3. Definitions 2.0 "Commission Approval." The Redline here restores this definition to "Approval" and drops the staff's new "Ratification" terminology. The Redline changes include a restoration of the Council's recommended inclusion of robust proceedings, such as evidentiary hearings when requested, prior to a Commission determination. Lastly, the Redline again clarifies that this "Approval" holds no ratemaking implications for any of the components of the IRP.
4. Definitions 2.0 "Environmental Benefit" / Section 6.1.3. The Council believes that important adjustments to how the views of DNREC will be taken into account are warranted. As DNREC is expert in these considerations, as is DOH where the environmental factor is human health, it is appropriate that significant weight be given to these agencies' views in the Commission's review of IRP submittals.
5. Definitions 2.0 "Implementation Plans." The implementation plan under an IRP must contain a contingency plan component to deal with scenarios where resource options or other aspects of implementation fail to materialize.
6. Definitions 2.0 "Integrated Resource Evaluation." This is a concept of significance which is found at Section 6 of the draft regulation. The definition here,

however, did not sufficiently describe the concept. Consequently, we have augmented the definition in the Redline. Further, it appears that Section 3.2.4, which describes one of the minimum requirements of the IRP, is actually a description of an Integrated Resource Evaluation. Thus, the Redline identifies it as such.

7. Definitions 2.0 "Lowest Reasonable Cost." This definition was added in our Redline. Since the term itself features in the regulation, it is important that it be given a definition. As consideration of externalities is done in other parts of the regulation, and is consistent with the statutory intent driving the IRP process, it is appropriate that external costs be included in the determination of "lowest reasonable cost."

8. Section 5.7. This sub-section deals with Company obligations to evaluate Demand Response (DR), Demand Side Management (DSM), and Conservation options for the IRP. It describes the presence of the Sustainable Energy Utility in this field. The Redline language adds the important concept that the Company must ultimately be the entity to decide which programs it will include in its IRP.

9. Section 9.3. The Redlined language we have provided here clarifies and makes this sub-section consistent with changes and clarifications made in related prior portions of the Redlined draft.

10. Any other new material in the Jeremy Firestone / Clean Air Council Redline that have not been specifically addressed in these comments either speak for themselves or are generally acceptable. Rationale for such material may be available in Jeremy Firestone's Explanation of the Redline.

#### Additional Corrections:

Upon further review of the draft, the Council has identified an error that need to be corrected. The error is contained in section 3.1 of the draft, which is reproduced below, with the error placed in brackets and the correction in bold:

- 3.1 Consistent with the requirements of 26 Del. C. §1007 and this regulation, the Company shall file an IRP every two years, starting on December 1 of the first even-numbered year after the effective date of these regulations, that adheres to the following general [principals] **principles**:

#### Regulation Format:

The Council concurs that the overall manner in which the regulation is drafted is unwieldy. Many important concepts are addressed in at least three of these four different locations—initial general provisions, definitions, the main sections, and the 9.0 review and comment section. It seems that building greater clarity and economy in the regulation's design should ultimately serve the interests of all parties, the Commission, the ratepayer, and the general public.

Conclusion:

The Council believes that the changes offered in the Redline bring significant improvement to the substance and form of the draft regulation. Wherefore, based on the attached Redlined draft regulation, and the foregoing rationale, it is respectfully requested that the Commission adopt changes accordingly for the proposed regulation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael D. Fiorentino", written over a horizontal line.

Michael D. Fiorentino, Esq.

*Pro hac vice*

Mary A. Jacobson, Esq.

Supreme Court I.D. No. 3508

Mid-Atlantic Environmental Law Center

4601 Concord Pike

Wilmington, DE 19803

Dated: April 5, 2009

# A T T A C H M E N T

## **State of Delaware Delaware Public Service Commission Integrated Resource Planning Regulation**

### Jeremy Firestone and Clean Air Council's Joint Redline of PSC Staff's March 2009 Draft IRP Rules

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#### **1.0 General**

- 1.1. The reliability of electric service and the security of energy supply are of great importance to the Delaware Public Service Commission ("Commission"), because they are essential services to the citizens of Delaware. This regulation, in support of 26 Del. C. §1007, sets forth the minimum Delmarva Power and Light ("DP&L" or "Company") Integrated Resource Plan ("IRP" or "the Plan") requirements needed to ensure a cost effective, price stable, reliable, efficient and environmentally sound energy supply for all Standard Offer Service ("SOS") customers.
- 1.2 Nothing in this regulation relieves DP&L from compliance with any requirement set forth under any other regulation, statute, or order. Compliance with this regulation meets the minimum IRP requirements. Compliance with this regulation does not imply plan approval or automatic cost recovery.
- 1.3 In accord with 26 Del. C. §1007, DP&L, as the Standard Offer Service Supplier, shall file an IRP on December 1<sup>st</sup>, 2006 and on the anniversary date of the first filing date every other year thereafter (i.e. 2008, 2010 et seq.). The Company may request and the Commission may change the filing date for good cause shown. These regulations shall apply to all IRPs filed pursuant to 26 Del. C. §1007. These regulations shall not apply to an IRP docket opened prior to the effective date of these regulations.
- 1.4 The IRP shall be filed in compliance with normal Commission policies and practices.
- 1.5. The plan shall identify the year of the filing, the individuals responsible for its preparation and those individuals who shall be available to respond to inquires during the Commission's review of the plan.
- 1.6. Because an IRP may contain Trade secrets and commercial or financial information, the Company may request that information, required under this regulation, be classified as confidential, proprietary and/or privileged material. The Company must explain how the material deemed confidential, if disclosed, will cause substantial harm to the competitive position of the Company or other party. The Company must attest that such information is not subject to inspection by the public or other parties without execution of an appropriate proprietary agreement. In requesting such treatment of information the Company is also

obligated to file an additional copy of the information, excluding the confidential or proprietary information. The Commission, in accordance with Rule 11, Rules of Practice and Procedure of the Delaware Public Service Commission, effective May 10, 1999, shall treat such information as "confidential, not for public release" upon receipt of a properly filed request. Any dispute over the confidential treatment of information shall be resolved by the Commission, designated Presiding Officer or Hearing Examiner. Confidential utility documents shall be presented under separate seal.

1.7. Commission Recognition of a filed IRP implies only that the plan is administratively complete. A finding of administrative completeness only implies that the proposed IRP includes the minimum elements specified in Paragraph 3.2, it does not imply the proposed IRP satisfies the criteria set forth in the regulation, is otherwise compliant with law, is reasonable, or is otherwise consistent with the best judgment of the Commission or Commission staff. Irrespective of Commission Recognition, the proposed IRP shall be revised, as appropriate, in response to comments or suggestions of the PSC Staff, the Commission, DNREC, DPH, parties to the IRP proceeding or members of the public. Revisions to the IRP shall be in the form of a revised document rather than an update or supplement of an earlier version. The recognition of an IRP does not confer or imply Commission approval. Approval or disapproval of an IRP must be made by the Commission after, at a minimum, Staff's analysis of and public comment on the proposed IRP. Any specific ratemaking treatment for the plan or any portions thereof is neither directly nor indirectly guaranteed by virtue of the recognition or approval.

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1.8. The utility shall provide whatever detail and commentary necessary to demonstrate that it has met or exceeded the planning requirements as set forth in this regulation. An effort shall be made to ensure that the IRP is clearly stated and can be readily comprehended by the Commission, State Agencies, and other interested parties. The IRP shall include an Executive Summary.

1.9 Compliance with this regulation is a minimum standard for IRPs. The Company needs to exercise its professional judgment based on its systems and customer needs. The Company shall include all information that assists the reader to fully understand the IRP concept and the Company's plans to meet SOS energy needs.

1.10 This regulation requires the maintenance and retention of supply resource planning data and the reporting of plan achievements on an annual basis starting in 2009 to the Commission, Governor and General Assembly. The Company shall retain such data, consistent with Federal data retention guidelines and make it available for further review as necessary.

1.11 The Company shall submit a total of 14 copies of its IRP - eight (8) copies to the Commission, two (2) copies to the Controller General's office, two (2) copies to the Office of Management and Budget, two (2) copies to the Energy Office/DNREC, and two (2) copies to DPH/Department of Health and Social Services. The Commission may request up to six (6) additional copies of combined and common filings as may be necessary for review.

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1.12 These Integrated Resource Planning Regulations shall be effective for IRP dockets opened after the effective date of these regulations and may be reviewed, revised, or extended as necessary to ensure continued compliance with 26 Del. C. § 1001-1012 and to ensure adequate SOS energy supply.

1.13 Failure of the Company to file an IRP or to provide progress reports as required may subject the Company to the penalty and remedial provisions of the Delaware statute (26 Del. C. § 1019).

## 2.0 Definitions

The following words and terms, as used in these regulations, shall have the following meanings, unless the context clearly indicates otherwise.

"Brownfield" or "Industrial site" means a site that has been previously used for industry and may be contaminated, or need environmental remediation for continued use or redevelopment.

"Capacity" means the maximum power capability of a piece of equipment. For example, a generating unit might have a rated capacity of 50 megawatts.

"Commission" means the Delaware Public Service Commission.

"Commission Recognition" means a status that is conferred upon the Company's IRP submittal if the Commission finds that the plan is administratively complete in fulfilling the initial procedural requirements of the rules and regulations. Within 45 days of the IRP submittal, the Commission or the Commission staff may either issue a recognition of administrative completeness or put in writing to the Company a notice of deficiency. If any person is aggrieved by a staff decision, that person may request review by the Commission. If Commission review of the staff's recognition is not requested, staff recognition shall be treated as Commission Recognition.

"Commission Approval" means a status that may be conferred upon the Company's IRP submittal if, after the completion of the regulatory process, including analysis by Staff, input from the public and other parties, and evidentiary hearings when requested, the Commission finds that the IRP is not unreasonable and appears to be in the best interest of the ratepayers. Any specific ratemaking treatment for the plan or any portions thereof is neither directly nor indirectly guaranteed by virtue of the Commission approval of the IRP; rather it only occurs in the context of ratemaking proceedings. Certain policies, contracts or guidelines previously approved by the Commission will not need additional approval in the IRP unless materially changed.

"Conservation" means any reduction in electric power consumption that results from improved efficiency, avoidance of waste, reduced consumption, or other energy usage reductions that may result from installing new equipment, modifying existing equipment to improve efficiency, adding insulation or changing behavior patterns.

"Customer-Sited Generation" means a generation unit that is interconnected on the end-use customer's side of the retail electricity meter in such a manner that it displaces all or part of the metered consumption of the end-use customer.

"Demand Response ("DR")" means programs that are designed specifically to reduce electricity demand during periods of supply constraint. These programs do not necessarily reduce total annual energy consumption.

"Demand-Side Management ("DSM")" means cost effective energy efficiency programs that are designed to reduce customers' electricity consumption, especially during peak periods.<sup>1</sup>

"DNREC" means the Delaware Department of Natural Resources and Environmental Control

"DPH" means the Delaware Division of Public Health

"DP&L" or "Company" means Delmarva Power & Light Company, Inc. or its successor organizations.

"Energy" means electrical energy. In this sense, energy is a measure of the quantity of units of electricity used in a given time period, measured in megawatt-hours.

"Environmental Benefit" means the positive environmental impact of environmental services, practices or other ecological influences attained by specific actions, minus the negative environmental impacts caused by those actions. The Commission shall give significant weight to input from DNREC or DPH, as appropriate, on the issue of environmental benefit.

"Fuel Diversity" means the utilization of resources to supply energy to SOS customers that are procured in such a way as to diminish the risk of adverse changes in fuel prices for electric generation, either through a mix of electric generating resources that utilize a variety of fuel sources, fuel hedges, Customer-Sited Generation

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"Commission Approval" means a status that may be conferred by the Commission upon

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<sup>1</sup>26 Del. C. § 1001 (5).



resources, both renewable and nonrenewable, application of appropriate risk management practices, DSM or a combination of these activities and assets.

**"Generation Attributes"** means non-price characteristics of the electrical energy output of a generation unit including, but not limited to, the units fuel type, geographical location, emissions, vintage and Renewable Energy Portfolio Standards (26 Del. C. § 351-363) eligibility.

**"Implementation Plan"** means an action plan which outlines the short and long term planned actions and contingency plans of the Company to secure necessary energy, capacity, transmission and other appropriate resources as further described in the Integrated Resource Plan.

**"Integrated Resource Plan (IRP)"** means the planning process of an Electric Distribution Company that systematically evaluates all available options, including but not limited to: generation, Supply Contracts, transmission and Demand-Side Management programs during the planning period to ensure that the electric distribution Company acquires sufficient and reliable resources over time that meet their customers' needs at a minimal cost.<sup>2</sup> The IRP shall include plan objectives, the rationale for selection of those objectives, a plan for achieving those objectives, and contingency plans to achieve the objectives.

**"Integrated Resource Evaluation"** means a process within the IRP that considers and compares supply- and demand-side resources to select a final resource mix. The Integrated Resource Evaluation shall include an externality analysis and an analysis of environmental benefit. The Integrated Resource Evaluation shall include an analysis of renewable energy supply options that would result in more solar and non-solar renewable energy in the resource portfolio than required by Delaware's Renewable Portfolio Standards (RPS).

**"Load Forecast"** means the estimated future annual electricity usage that is used to help electric utilities make resource allocation decisions.

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"Lowest reasonable cost" or "minimal cost" includes all costs of power generation, including external costs.

**"New or Innovative Baseload Technologies"** means energy resources using new technologies to generate electricity on a typical round-the-clock basis.

**"Nominal Price"** means the price paid for a product or service at the time of the transaction that has not been adjusted to reflect the effects of inflation.

**"PJM Interconnection, L.L.C. ('PJM')"** means the Regional Transmission Organization or successor organization that is responsible for wholesale electricity markets and the interstate transmission of electricity throughout a multi-state operating area that includes Delaware.

**"Portfolio" or "Resource Portfolio"** means the combination of physical assets (e.g. electric generating, self generating, and transmission assets), financial products (e.g. Supply Contracts for energy and related services), market resources (e.g. spot market energy purchases), DSM and DR programs, and Customer-Sited Generation resources, both renewable and non renewable, that the Electric Distribution Company uses to satisfy current and future energy procurement requirements for SOS customers, while managing the risk of adverse price changes to SOS customers.

**"Plan Objectives"** means the targets or goals of an IRP plan needed to measure the impact and/or success of the plan's actions. Such goals or targets must be definitive, measurable and verifiable. Refer to I.1 for IRP objectives.

**"Price Stability"** means the lack of significant variation in the real price paid by SOS customers over the planning period.

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**"Real Price"** means the value after adjusting for inflation. Real price is expressed in constant dollars reflecting buying power relative to a base year.

<sup>2</sup>26 Del. C. § 1001(13).

**"Reliability"** means the degree of performance of the elements of the bulk electric system that results in electricity being delivered to customers within accepted standards and in the amount desired. Reliability may be measured by the frequency, duration, and magnitude of adverse effects on the electric supply. Electric system Reliability can be addressed by considering two basic and functional aspects of the electric system – Adequacy and Security.

Adequacy is the ability of the electric system to supply the aggregate electrical demand and energy requirements of customers at all times, taking into account scheduled and reasonably expected unscheduled outages of system elements.

Security is the ability of the electric system to withstand sudden disturbances such as electric short circuits or unanticipated loss of system elements.<sup>3</sup>

As applied to distribution facilities, Reliability is further described as the degree to which safe, proper and adequate electric service is supplied to customers without interruption.

**"Resource Portfolio"** see **"Portfolio"**

**"Retail Competition"** means the right of a customer to purchase electricity from a certified electric supplier.

**"Standard Offer Service ("SOS")"** means the provision of electric supply service by a Standard Offer Service Supplier to customers who do not otherwise receive electric supply service from a certified electric supplier.

**"Standard Offer Service Supplier"** means the electric distribution company serving within its certificated service territory.

**"Supply Contracts"** means short or long term power procurement contracts as may be negotiated and agreed upon to meet defined requirements, more specifically for Delaware's Standard Offer Service customers.

**"Scenario Analysis"** means a component of integrated resource planning that analyzes and assigns probabilities to a variety of possible future conditions and the options available to deal with them. Its primary purpose is to facilitate better resource planning decisions by assessing and quantifying the economic and other risks related to a particular decision.

**"Transmission Service"** means the delivery of electricity from supply sources through transmission facilities to distribution system interconnection points.

**"Wholesale Electricity Market"** means the various PJM markets in which the purchase and sale of electric energy, capacity, and ancillary services from generators to resellers/wholesale suppliers (who sell to retail customers) takes place at the transmission level.

### 3.0 General Requirements

3.1 Consistent with the requirements of 26 Del. C. §1007 and this regulation, the Company shall file an IRP every two years, starting on December 1 of the first even-numbered year after the effective date of these regulations, that adheres to the following general principals:

3.1.1 The IRP shall provide a framework for comparing a comprehensive resource mix of supply- and demand-side and Transmission Service resource costs and attributes.

3.1.2 The IRP shall utilize a Resource Portfolio in achieving the objectives of the IRP, shall incorporate a Portfolio approach to securing resources and incorporating an analysis of risk versus certainty into the planning process, or absent such a Portfolio approach, the rationale supporting the exclusion.

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<sup>3</sup>NERC definition - NERC's Reliability Assessment 2001-2010, dated October 16, 2001.

3.1.3 The IRP process shall provide for regulatory, stakeholder and public input.

3.1.4 The IRP shall include provisions for the IRP to be modified from time to time, as may be necessary to conform with any subsequent legislative or regulatory directives.

3.2 The IRP shall include the following minimum requirements:

3.2.1. An executive summary with a short description of the utility, its customers, service territory, current facilities, planning objectives, notable areas of departure in the new IRP from the old, citing specific location within the IRP where the new aspects shall be found, Load Forecast, recommended Resource Portfolio and action plan.

3.2.2 Established Plan Objectives in quantitative and qualitative terms by which the plan achievements may be measured and shall not be biased against any particular option. Measures must be ascribed to each objective. The Company must include a summary of the overall process, and models used in developing the IRP.

3.2.3 An implementation plan, as described in 8.0.

3.2.4 A description of the load forecast, the assumptions used or implicit in creating the forecast, the range of forecast examined, and the forecast selected for the filing period.

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3.2.5 An Integrated Resource Evaluation which shall include a listing of all the options considered to meet the load forecast, identification of those chosen for further evaluation and possible inclusion in the plan, and a discussion of the rationale for such selections including any key assumptions. This planning information shall include a 10-year planning horizon, starting with the year immediately following the filing year (i.e. filing year of 2010 shall include planning information for years 2011 through 2020).

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3.2.6 A Scenario Analysis used to integrate the options into a single resource plan or individual scenario for further review and analysis, to include a listing of the various scenarios considered and any key assumptions.

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3.2.7 A description of the process used to develop the proposed IRP, including the assumptions and analysis leading up to the decision and the application of the valuation criteria as specified in section 5.0.

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3.2.8 An analysis of the risk and sensitivity of the proposed IRP in comparison to other options also considered and a contingency plan to meet the plan objectives should one of the supply, demand or transmission options be either delayed or not realized. 3.2.9 Action plans for implementation of the IRP, for no less than five (5) years, starting with the year immediately following the filing year.

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4.0 Load Forecast

4.1 The Company shall consider a range of load growth forecasts that include:

4.1.1 Both historical data and future estimates.

4.1.2 Both winter and summer peak demand for total Delmarva Delaware load and Delmarva Delaware SOS load by customer class.

4.1.3 Weather adjustments, including consideration of climate change potential.

4.1.4 Five (5) year historical loads, current year-end estimate and ten (10) year weather adjusted forecast showing individually and aggregated Delmarva Delaware and Delmarva Delaware SOS load, and both Delmarva Delaware and Delmarva Delaware SOS load disaggregated by customer classes, including both capacity (MW) and energy requirements (MWh).

4.1.5 Analyses of how existing and forecast Conservation, DR, DSM, Customer-Sited Generation, various economic and demographic factors, including the price of electricity, will affect the consumption of electric services, and how customer choice under Retail Competition of utility service may affect future loads.

4.1.6 Description of the process the company used to develop these forecasts. Forecasts shall include the probability of occurrence. Within the forecasting modeling descriptions the Company shall demonstrate how well its model predicted past load data for the prior five (5) years.

## 5.0 Resource Portfolio Options

5.1 The Company shall include a description of the overall process and the analytical techniques it used to identify its proposed options. The Company shall not rely exclusively on any particular resource or purchase procurement process.

5.2 The Company shall identify and evaluate all reasonable generation, Supply Contracts, both short- and long-term procurement and demand- side and demand response management strategies , even if a particular strategy is ultimately not recommended by the Company. The IRP must show an investigation of all reasonable opportunities for a more diverse supply at the lowest reasonable cost. Company should provide its hedging guidelines. If there are any changes from the existing hedging policy, Company should so state. Any cost evaluation should be based on real prices; the Company should it so choose also may provide a cost evaluation using nominal prices. It shall contain a description of each option and an evaluation that considers the economic and environmental value of the following:

Deleted: state whether real or nominal costs were used.

- 5.2.1 Resources that utilize New or Innovative Baseload Technologies;
- 5.2.2 Resources that provide short or long term Environmental Benefits to the citizens of this State;
- 5.2.3 Facilities that have existing fuel and transmission infrastructure;
- 5.2.4 Facilities that utilize existing brownfield or industrial sites;
- 5.2.5 Resources that promote Fuel Diversity;
- 5.2.6 Resources or facilities that support or improve Reliability; or
- 5.2.7 Resources that encourage Price Stability.

5.3 The Company shall provide a description of the options recommended for inclusion in the proposed plan, including a description of the mechanism or process used for valuing each option. Such valuation shall also include consideration for the life expectancy of the resource, if the resource provides capacity and/or energy, any improvements to system Reliability, the dispatchability of the source, any lead time requirements, the flexibility of the resource, the Generation Attributes of the resource, the efficiency of the resource, and the opportunities for customers' participation. The valuation shall assess the probability of securing the options according to modeling information used, including any key assumptions. The Company shall provide the estimated energy and capacity impacts for each option and the rationale behind the estimate.

5.4 Where Transmission Service is identified as a planning option, the Company shall describe the transmission enhancement, the location, and provide PJM's assessment of the impact of the proposed transmission asset when available. The IRP shall reflect the current projects included in PJM's Regional Transmission Expansion Plan.

5.5 At least 30 percent of the resource mix shall be acquired through the regional Wholesale Electricity Market via a bid procurement or auction process held by DP&L. (Docket No. 04-391.)

5.6 The Company shall also include discussion of known plans to reduce existing physical, contractual or service related Portfolio resources during the IRP planning period.

5.7 The Company shall evaluate all technically feasible and cost effective DR improvements. Where non-Company evaluations of DSM and Conservation are available through the Sustainable Energy Utility ("SEU") (or other organization as requested by the Commission), the Company shall summarize the results

and actions taken. The Company may contract with the SEU (whose primary function is to develop end-user markets for energy efficiency services and customer-sited renewable energy, and to facilitate private sector implementation of the SEU's market development plans) to provide services to accomplish the SEU's Demand Side management plans. ~~The Company shall use its own independent best judgment of which DSM programs to evaluate and recommend in the IRP, including any proposed DSM program rejected by the SEU.~~ Where DR programs are new, the Company shall summarize the anticipated benefits with respect to load reductions and provide supporting material to justify the new program.

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5.8 The Company shall assess the Resource Portfolio options against the set of Plan Objectives and criteria.

## 6.0 Plan Development

6.1 The Company shall conduct an Integrated Resource Evaluation in formulating its potential plans for supply and demand-side resource scenarios. The Company shall describe the mechanism or process by which the Load Forecast and options have been blended into the various IRP scenarios. In integrating its supply and demand-side resources, the Company shall:

6.1.1 ~~Prepare a contingency plan that shall include a discussion of how the Company might alter the recommended plan in the future if the key planning assumptions used to develop the recommended plan in the future turn out to be different than what was assumed in preparing the recommended plan.~~

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6.1.2 Evaluate the cost-effectiveness of the options from the perspectives of the utility and the different classes of ratepayers.

6.1.3 Estimate a range of external costs which may be intangible, in order to show how explicit consideration of them might affect selection of options. The utility shall attempt to quantify the magnitude of the externalities, for example, in terms of the amount of emissions released and dollar estimates of the costs of such externalities. ~~The Commission shall give significant weight to input from DNREC and DPH, as appropriate, on the adequacy of the externality analysis.~~

6.1.4 Evaluate the financial, competitive, Reliability, and operational risks associated with the options recommended by the IRP and how these risks may be mitigated over the 10 year planning period. Each candidate plan shall include a discussion of the likelihood of the occurrence of such risks.

6.1.5 For the options included in the proposed plan identified in the IRP, the IRP shall include an analysis of the fuel risk associated with the proposed Resource Portfolio and how such fuel risk will be mitigated when the proposed plan is implemented.

6.1.6 Perform sensitivity analyses on each of the candidate plans to include variations in key assumptions and to assess the likelihood of planned outcomes. The sensitivity analyses should include among other analyses the impact of proposed regulations related to climate change.

6.2 The Company shall forward a copy of the IRP to DNREC and DPH and seek input into externalities, including but not limited to, health effects.

6.3 In developing candidate plans, special attention shall be given to ensuring consistency between the IRP and typical rate-making processes. While the ultimate consumer price associated with the plan is important, the stability of rates and other factors as described in Section 5.2 need to be considered in any candidate plan selection.

## 7.0 Proposed Plan Selection.

7.1 The Company shall select and file the proposed IRP which it believes is the most consistent with the criteria set forth in 26 Del. C. § 1007. The Company shall describe the rationale behind its selection, including any modeling or methodology used as the basis for selection of the proposed plan.

7.2 In filing the proposed IRP, the Company shall provide at a minimum a five (5) year forecast of supply rates by customer class that would be anticipated based on the IRP planning assumptions and recommended procurement strategy.

#### 8.0 Implementation Plan

8.1 As part of the IRP, the Company shall file a plan needed to implement the IRP. Such plan shall be a five (5) year action plan outlining the resource decisions intended to implement the IRP. The Implementation plan shall include:

8.1.1 Actions to be taken in the first two (2) years and outline actions anticipated in the last three (3) years.

8.1.2 For IRP's filed on or after December 1, 2010, a status report of the specific actions contained in the previous action plan, including what risk assumptions were made and what actually occurred.

8.1.3 Schedule of key activities related to the plan implementation.

#### 9.0 Review and Comment

9.1 As part of the process commencing in 2009 and continuing on an annual basis, the Company shall submit a report to the Commission, the Governor and the General Assembly detailing their progress in implementing their IRPs.

9.2 The Commission, interested State Agencies, interested parties and the general public shall be provided an opportunity for review and comment on the Company's IRP filings. The Commission shall seek input from DNREC and DPH, on the issue of externalities due to emissions, as the result of the proposed IRP.

9.3 Subsequent to Commission Recognition and after PSC staff analysis, input from the public and other parties, and evidentiary hearings when requested, the Commission may approve the Company's IRP and its compliance with these regulations. Commission Approval of the IRP shall not guarantee a particular ratemaking treatment of future resource acquisitions. To the extent that the Commission determines that the IRP is not compliant with the statute or is unlikely to meet the goals of the statute, the Company shall revise its IRP to meet these requirements. Rate treatment shall be addressed in rate or other proceedings as filed by the utility or as initiated by the Commission.

9.4 The Integrated Resource Plan may be used as a factor in rate cases to evaluate the performance of the utility. Reports provided under this regulation are subject to annual review and audit by the Commission and interested State Agencies. The Company must maintain sufficient records to permit a review and confirmation of material contained in all required reports.

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